



**Written Submission for the House of Commons Standing  
Committee on Industry, Science and Technology Study  
on the Canadian Response to the COVID-19 Pandemic**

**Submitted By: Canadian Produce Marketing Association**

**Date: May 22, 2020**

On behalf of the Canadian fresh fruit and vegetable sector, the Canadian Produce Marketing Association (CPMA) welcomes the opportunity to submit comments to the House of Commons Industry Committee regarding the financial and other repercussions that the COVID-19 pandemic poses for the fresh produce industry and its supply chain.

The Canadian Produce Marketing Association (CPMA) represents over 860 members across Canada and the world who are involved in the marketing and sales of fresh fruit and vegetables in Canada. Combined, CPMA members are responsible for 90% of fresh fruit and vegetables purchased by Canadians. As an industry association, CPMA represents the entire fresh fruit and vegetable supply chain, from farm gate to dinner plate. Our comments are reflective of a wide array of members across the supply chain who work daily to provide Canadians with the fresh and healthy fruit and vegetable options they demand.

First, CPMA would like to recognize and express our industry's appreciation for the high level of engagement and collaboration the federal government has shown in working with industry during these challenging times. It is our sincere hope that this strong working relationship will continue in the months ahead. We are committed to working with government to help find solutions to mitigate the impact of the outbreak on Canadians and to ensure that Canadian families will be able to continue to put our safe, healthy and nutritious products on their tables throughout this crisis and afterwards.

The fruit and vegetable industry is a major contributor to job creation and Canada's GDP and will continue in this role as we move through the economic recovery from the COVID-19 pandemic. Our sector supports 249,000 jobs in the Canadian economy throughout a complex value chain. It is also important to remember that the produce supply chain is a globally integrated model that relies on both domestic and international networks. Much of this is due to the inability to grow many highly demanded and consumed products within our Canadian climate. Approximately \$4 out of every \$5 spent on fresh produce in Canada is spent on imported products, and over \$2 billion of fresh Canadian produce is exported annually, (representing approximately half of our production). This is important to recognize, as our essential supply chain includes a wide range of players, all of whom play a role in securing the Canadian food supply now and in the post-COVID world. The Government of Canada must ensure that policies and programs are in place to support industry, large and small throughout the supply chain, with coping and recovery tools in order to ensure the ongoing sustainability of the fresh fruit and vegetable sector.

### **Coping and Recovery**

CPMA recognizes and commends the speed at which the Government of Canada operated to create macro level programs to support industry at the onset of the pandemic in Canada. Many of the programs created have provided support to segments of our supply chain. Moving forward, it will be important to provide a more focused approach to reduce unintended consequences and impacts to business, which include increased debt, challenges accessing domestic labour, and more.

Government programs created or adjusted to support the produce industry must provide the necessary flexibility, adaptability, and longevity to minimize losses to the industry. The impact to businesses in our sector is not only happening today, but will continue for many months. The complexity and seasonality of the industry means both large- and small-scale operations must have access to programs and tools developed by government for the short and long term.

Programs like the Canada Emergency Wage Subsidy (CEWS) must be reviewed and extended beyond September for particularly hard-hit sectors, such as foodservice, within the produce supply chain. The Canada Emergency Response Benefit (CERB) must be adjusted to support unemployed Canadians without creating a disincentive to work. Additionally, the Canada Emergency Student Benefit (CESB) has the potential to impact employment opportunities within our sector. There is a need to look at adjusting programs like this to provide an incentive to work and encourage employers to hire.

Other programs and tools which require consideration include: bankruptcy protection for produce sellers, targeted tax credits for those essential services now required to change business practices and purchase new equipment including personal protective equipment (PPE), regulatory flexibility pertaining to food labelling requirements, and more effective programs to access operating capital for a sector that works with very small margins and limited available capital.

### **Economic Impact of the Pandemic**

In recognition of the positive impact of produce consumption on overall health, the recent release of *Canada's Food Guide* recommends that Canadians fill half their plates with fruits and vegetables. With Canadians staying at home and buying patterns shifting during the pandemic, at the end of April we saw retail sales up 8% for vegetables and 5% for fruit, with recent numbers levelling off. While sales are positive, consumers are spending less time “browsing” grocery stores for unique items and the sales for shorter shelf-life products and specialty items still remain lower than the volumes pre-pandemic.

While the CPMA members within our national retail category have navigated COVID effectively to meet consumer demand for produce items, there are many other companies within the supply chain that will not be so fortunate. Foodservice represents 30% of our supply chain value, and the catastrophic impact to this sector and those who supply it will be felt for years to come. While meal delivery and curbside pick-up has lifted restaurant foodservice produce sales from zero to 20% and sometimes 30% of traditional volume, it will be a long recovery, as physical distancing and consumer fear will play a role in how restaurants reopen. For many, the physical space which cannot be changed to accommodate new social distancing requirements while also allowing sufficient customer capacity will be a major factor in the economic decision on whether to reopen.

Debt and accounts payable are also factors that may influence some businesses in choosing not to reopen. Those that closed at the start of the pandemic and still retain high accounts payable are now making decisions relative to their financial capacity to reopen and pay those bills, and to potentially incur further debt, before they are able to procure the products they need to restart their businesses.

At the same time, many of our members, particularly those involved in processing within the produce supply chain, are also being dramatically impacted due to rising costs of inputs, access to labour and operational changes.

In a post-COVID world, business continuity will be challenging as we transition. The simple decision to reopen for some parts of our supply chain will be the first step, and for many may not be possible. Given the complexity of the produce supply chain and the highly perishable nature of our products, any slowing of the movement of these essential goods could have serious impacts on the well-being of Canadians and our economy. During this time, it is crucial that the government ensure that the supply chain is supported from farm gate to dinner plate.

## **Labour**

A major area of impact to the produce supply chain which influences food production is labour. International workers are a critical part of the agri-food workforce in Canada. The fresh fruit and vegetable industry relies upon thousands of workers coming into Canada as part of the Temporary Foreign Worker Program (TFWP) and the Seasonal Agricultural Worker Program (SAWP) in order to plant, cultivate, process, harvest and pack our products.

Early in the pandemic, access to temporary foreign workers was the single most significant threat to food production, food security and the integrity of the food supply chain in Canada. We are very appreciative of the government's flexibility and collaboration with industry in granting exemptions to international travel restrictions for temporary foreign workers, and in providing some financial support to employers of foreign workers to help cover the costs of the two-week isolation protocol.

At the same time, while some of our industry's key labour concerns have been addressed, logistical and financial challenges remain and there is a need to revisit the protocols for the workers in Canada. Particularly in looking ahead to harvest, CPMA remains concerned about the significantly reduced number of workers who have been able to come to Canada and about what that diminished capacity will mean for domestic production.

In addition to foreign workers, the produce supply chain relies on domestic labour. Currently, our members have expressed concerns that there are more disincentives for unemployed Canadians to work than incentives. The Canada Emergency Response Benefit (CERB) has created unintended consequences in the short term for many packers, distributors, wholesalers and small retailers who are facing higher levels of absenteeism and greater challenges to hire at a time when Canadians are relying on them to provide the food they need.

## **Employment Incentives**

### **Canada Emergency Response Benefit (CERB)**

The CERB must be adjusted to support unemployed Canadians without creating a disincentive to work, as the \$1000.00 allowable monthly income amount is not enough encouragement during these unique times. Increasing the allowable income limit, or providing a targeted exemption to the income limit to allow Canadians to collect the CERB and work in the produce supply chain, is essential over the next 10 months.

### **Canada Emergency Wage Subsidy (CEWS)**

The CEWS was one of the key tools developed by the government which supported some firms enabling them to remain open at the onset of COVID-19 in Canada. Those of our members who qualified were able to maintain staffing during the initial foodservice market shift. Now, this program must continue beyond September and be adjusted to potentially target particularly hard-hit sectors, such as foodservice, within the produce supply chain. This will help alleviate the economic stress companies are forecasting under the new, post-COVID normal.

### Canada Emergency Student Benefit (CESB)

The CESB needs to be reviewed to not only support students but to provide an incentive for students to work and for employers to hire. Increasing the allowable income limit, or providing a targeted exemption to the income limit, could encourage more students to collect the benefit and work for essential providers like those in agriculture and agri-food. These incentives could also include a student wage subsidy for new hires.

### Personal Protective Equipment (PPE)

Issues pertaining to the access to PPE and health screening tools have been noted by many CPMA members in a May survey.

- 87% reported they are purchasing personal protective equipment (PPE) and health screening tools, while only 13% did not.
- Although most members were able to purchase equipment, many issues were noted such as a shortage of supplies and long lead times to order. Hand sanitizers, gloves and N95 Masks have also been difficult to acquire.
- The need for PPE has also led to an increase in operating costs but it is recognized as necessary to ensure business continuity and staff morale, and to keep absenteeism low.

The added cost of purchasing this equipment cannot sustainably be absorbed by industry and is difficult to pass on to Canadians without increasing the cost of fresh produce, thereby creating food security concerns. While the recent government announcement of funding through the Agri-food Workplace Protection Program was encouraging, CPMA recommends that the government implement a PPE tax credit to support industry in procuring the equipment needed to keep workers and the public safe.

Additionally, the inconsistency of a harmonized delivery of isolation protocols and measures at a local level is causing frustration across industry. It is vital to have common risk-based models to both provide and enable competitiveness and promote public safety.

### Trade and Regulatory Flexibility

This pandemic has clearly demonstrated Canada's reliance on global trade and our need to bolster our food security. To ensure the ongoing viability of the food system, we need a strong domestic and global strategy. Market access is vital for the Canadian produce sector. International trade agreements, phytosanitary rules and cooperation between governments must continue and be harmonized.

To successfully access key markets, the supply chain linkages of transportation, border access and ports of entry and exit must all be maintained, and regulations such as Hours of Service should be harmonized with the United States, our largest trading partner. At this time, rising transportation costs and reduced access to shipping vessels and air cargo are still issues of concern.

The multinational nature of the fresh produce supply chain means that a failure in one area has consequences along the entire chain. As we move through this COVID-19 pandemic and into recovery, it is imperative that the Government of Canada take a proactive approach to putting measures in place to ensure that the smooth flow of essential products continues, including fresh fruit and vegetables.

In the United States, marine ports have experienced significant backlogs in processing containers carrying essential goods, as containers carrying non-essential goods piled up with nowhere to go due to business closures. This type of situation not only delays the movement of essential goods, but also creates a shortage of available containers for future shipments. While Canada's ports are not currently facing these backlogs, we strongly urge the government to plan and enact proactive measures to ensure that this does not occur. The high perishability of fresh produce makes this type of forward thinking particularly important to securing continued access to these essential goods and could become critical if we experience another wave of COVID-19 in the fall.

Proactive regulatory flexibility would also serve to facilitate the movement of goods. Recognizing the government's efforts to provide some flexibility in the enforcement of non-food safety labelling requirements to ensure that the smooth flow of essential products continues, more is needed. Further flexibility for packaging requirements to temporarily allow Nutrition Facts Tables from other countries (especially the U.S.), and to allow English-only mandatory labelling information in provinces other than Quebec, would help to ensure that grocery stores can continue to provide Canadians with safe and healthy food.

Similarly, while our members across the fresh produce supply chain have been working diligently towards compliance with the new *Safe Foods for Canadians Regulations (SFCR)* traceability requirements for lot code on consumer prepackaged items, there is growing concern about the ability to comply with these regulatory changes in the short term due to significantly diminished financial capacity and packaging availability as result of the COVID-19 pandemic. CPMA therefore requests that the government reconsider the timing of regulatory compliance enforcement for this particular requirement in recognition of the extraordinary economic circumstances our sector is currently facing.

### **Financial Protection for Produce Sellers**

The Canadian produce industry has been requesting the implementation of a financial protection tool for produce sellers for many years. The issue identified by government was the inability to demonstrate harm. Unfortunately, the COVID business environment has and will, over the next two years, drive businesses into bankruptcy and our sector has no protection. In addition to a lack of domestic protections, Canadian produce sellers are now at even more risk when selling to our major trading partner, the United States.

As financial impacts are realized along the produce supply chain, we anticipate company failures in Canada and are already seeing such cases in the U.S. market. At one time, our Canadian grower/shippers would have had preferential treatment in the U.S. under the *Perishable Agricultural Commodities Act (PACA)*, which would have provided much needed access to prompt payment tools in the case of a buyer bankruptcy. In the U.S., companies also have protection from insolvent buyers.

In Canada, we have never had a similar protective capacity. Canada's fruit and vegetable sellers have no financial protection from losses resulting from insolvent buyers. When a company fails, there is no security within the bankruptcy. The *Bankruptcy and Insolvency Act* simply does not provide a workable mechanism to protect sellers when buyers of produce become insolvent. Due to the highly perishable nature of fresh produce, sellers cannot recover product from incomplete sales as enabled under the *Act*. Complimentary legislation is needed to ensure that Canadian fruit and vegetable sellers are given priority access to help offset losses associated with product that has been delivered, but for which payment has not been received.

A limited statutory deemed trust would not only provide financial protection for produce sellers in Canada, but would also provide a means for reinstatement of our preferential treatment under the U.S. *PACA*. Without a limited statutory deemed trust, we will potentially see more companies dragged into economic hardship. At a time when food security is second only to health care in terms of priorities for all Canadians, it is crucial that the government provides all possible safeguards for the food supply chain, including a deemed trust mechanism in Canada.

### **Business Continuity and Change**

From growers, to packers, shippers, processors, wholesalers and retailers, the fresh fruit and vegetable industry has incurred unprecedented costs to develop COVID-related business plans and new procedures to address the spread of COVID-19, ensure business continuity across the supply chain, and mitigate the impact of COVID-19 on their business and community. Some of the costs and changes identified by CPMA members include:

#### *Transportation:*

- Transportation worker PPE, sanitation and having less workers per truck
- Doubling the amount of buses to move TFWs
- Increased transportation needs (multiple trips) to the work site

#### *Housing for Temporary Foreign Workers:*

- Growers required to expand housing due to restrictions, (e.g. only one TFW is allowed per table and only five workers are allowed per house)
- Renovations and new layouts for housing have also been required

#### *Staffing:*

- Active controls put in place such as taking employee temperatures and controlling access to facilities
- Production staff on staggered shifts to avoid contact during shift changes, reducing the speed of production lines
- Employers have had to spread foreign workers over different buildings
- Lunch breaks staggered to avoid congregating in the break areas, resulting in an increase in lunch periods
- Office staff working from home on a full-time or rotating basis
- Employees working from home who need to come into the office required to physically distance (may also be required to wear face masks)

#### *Operations and Facilities:*

- Expansion and reorganization of work areas to allow social distancing
- Modifications to market flow and check-out lines, including adding packing tables
- Plexi-Glass installed at harvest stations, retail check-outs and warehouse check-out/sales desks
- Use of hand sanitizer, gloves, and masks to protect staff
- Frequent disinfecting of workspaces with cleaning supplies
- Changes to production lines that will reduce productive capacity during harvest and packing season
- Restricted access by visitors and restricted movement of staff and workers

- Scheduling for use of common areas that now accommodate fewer people
- Transition to electronic paperwork to avoid contact resulting from exchanging hardcopy paperwork

Many companies within the fresh produce supply chain have also implemented new procedures to address the spread of COVID-19 in the future and prepare for an eventual return to work. Many CPMA members have begun, and will need to continue, to address employee concerns by implementing physical/social distancing measures and ensuring access to PPE. Some of the concerns identified by CPMA members include:

*Employee Concerns:*

- Staff afraid to work in facilities over fears of getting sick
- Significant concern about the absence of a vaccine to combat COVID-19
- Team members trying to find someone to look after family members, particularly children, so they can return to the workplace

*Physical/social distancing and accessing PPE:*

- Need to address personal concerns for safety, prepare for gradual transition and implement physical/social distancing
- PPE and testing equipment, as well as cleaning supplies, need to be available and cost effective
- Communication updating all staff of new policies and conditions is important

Additionally, depending on how consumer shifts to e-commerce and “click and collect” options continue to develop post-COVID, some small restaurants and other store front businesses may remain online, reducing their lease costs and other overhead they carried prior to the pandemic, and may not fully rehire the labour force. This is a potential trend we are watching.

The costs associated with the operational changes outlined above have been, and will continue to be, significant as Canada moves forward through our economic recovery. The government’s announcement of \$77 million set aside for the processing industry will not truly support the scope of impact across all processing groups.

As noted above, fresh produce companies that pack, process or repack produce and require new protective measures for their workforce to remain operational are already at significant disadvantage compared to other sectors, as they are operating with margins of only 3 to 5 percent. It is therefore crucial that the Government of Canada improve existing measures and apply new tools, such as those recommended above, to help mitigate these costs and support the long-term sustainability of the fresh produce industry.



In closing, CPMA would like to recognize the extraordinary efforts by government, both elected officials and public servants, throughout this unprecedented time. On behalf of the fresh produce industry, we thank you for your consideration of our comments. We would welcome the opportunity to appear before the Committee and to answer any questions you may have.

Regards,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line.

Ron Lemaire  
President  
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